

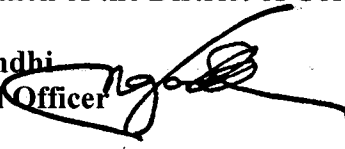
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: January 7, 2009

SUBJECT: Fiscal Impact Statement – “Transportation Infrastructure
Improvements Bond Financing Act of 2009”

REFERENCE: Draft Legislation – No Number Assigned

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation.

The proposed legislation would enable the District of Columbia to issue Grant Anticipation Revenue Vehicles (“GARVEE”) Bonds to finance transportation infrastructure projects through future federal appropriations. Such authorization does not have an impact on the District of Columbia’s budget and financial plan. Furthermore, under the Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008¹, GARVEE bonds, once issued, would not be included in the definition of “District Bonds” and would therefore not count towards the 12% debt service cap contained in that Act. It must be noted, however, that two of the three major bond rating agencies do include GARVEES in their calculation of debt

Background

The proposed legislation would allow the District of Columbia to issue GARVEE Bonds against future federal-aid highway appropriations to finance essential transportation-related projects. The proceedings from such bonds would be deposited into the Transportation Infrastructure Improvement Fund, a newly created non-lapsing fund that is separate from the General Fund.

¹ The Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008 was passed on 2nd reading on December 16, 2008 (Enrolled Bill 17-914) and has not yet been signed by the Mayor.

Financial Plan Impact

Funds are sufficient to implement the proposed legislation. The proposed legislation would not in and of itself authorize any bonds. Because GARVEE Bonds would be issued against future federal appropriations, when issued, they would not constitute a general obligation for the District of Columbia. Under the definition of "District Bonds" in the Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008, GARVEE Bonds are not supported by District tax revenues and therefore would not be counted towards the 12% debt service cap contained in that Act. However, as noted above, GARVEE Bonds are considered debt by two of the three major bond rating agencies.